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DEFENSE CONTRACT AUDIT AGENCY
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PSP 730.4.18

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MEMORANDUM FOR REGIONAL DIRECTORS, DCAA
DIRECTOR, FIELD DETACHMENT, DCAA

SUBJECT: Audit Guidance for the Collection of Past Performance Information
in the Department of Defense (DoD)

Summary

The purpose of this memorandum is to distribute DoD guidance for the collection of past performance information (PPI). DoD recently issued a policy statement on the collection of PPI in DoD. This policy statement was effective 1 February 1998. This memorandum discusses the DoD policy and provides guidance on DCAA's role in PPI. This memorandum also includes guidance for responding to customer requests for DCAA's input and our plan to refine DCAA's role in the PPI process. We should be able to support the PPI process with information readily available in our files.

Background

PPI is relevant information, for the purposes of future source selections, regarding a contractor's actions under previously awarded contracts. It is an indicator of an offeror's ability to perform a future contract successfully. PPI is defined and its use is described in FAR Parts 15.3 and 42.15.

Audit Guidance

DCAA's inputs for PPI will be obtained from information readily available in our files and will address the following PPI assessment elements:

- **Cost Control.** Cost control is defined as the contractor's effectiveness in forecasting, managing, and controlling contract cost. For major contractors, our Internal Control Audit Planning Summaries (ICAPS) for estimating and budgeting/planning would be our input to PPI. In addition, Postaward Audit Selection System (PASS) ratings would provide useful information in this area. For nonmajors, we would provide data from our Internal Control Questionnaires (ICQs) on the adequacy of the contractor's accounting and estimating systems.

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- Management (or Business Relations). This would include the timeliness, completeness and quality of management's responsiveness to contractual requirements and inquiries. Information on the contractor's overall accounting system controls would be useful PPI in this area. In addition, the status (timeliness) of the contractor's incurred cost submissions could provide insight into the contractor's timeliness/responsiveness.
- Program/Other Management. This element assesses the contractor's ability to discharge its responsibilities and the effectiveness of the contractor's "risk management practices". The results of financial capability reviews would be useful input for this area. Additionally, our ICAPS and internal control reviews (ICRs) would provide input on the contractor's risk management practices.

The Special Projects Division has conducted visits to buying activities that collect and use PPI to discuss how DCAA can best assist them in their PPI assessments. Based upon our visits to date, our customers believe the information above would be useful in some circumstances. They also felt it would be helpful for the auditors to be able to discuss the impact of our information on the contract or procurement being evaluated. We will issue additional guidance upon completion of our field visits if we identify a need based upon further discussions with the buying activities.

Concluding Remarks

All FAOs receiving requests for PPI should notify the Special Projects Division and provide details on the information requested. This will assist us in formulating future guidance.

Please contact Tom Cline, Program Manager, Special Projects Division at (703) 767-3290, fax at (703) 767-3234, or cc:Mail at *PSP if you have any questions.

/signed/

Lawrence P. Uhlfelder
Assistant Director
Policy and Plans

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